

# Pragati

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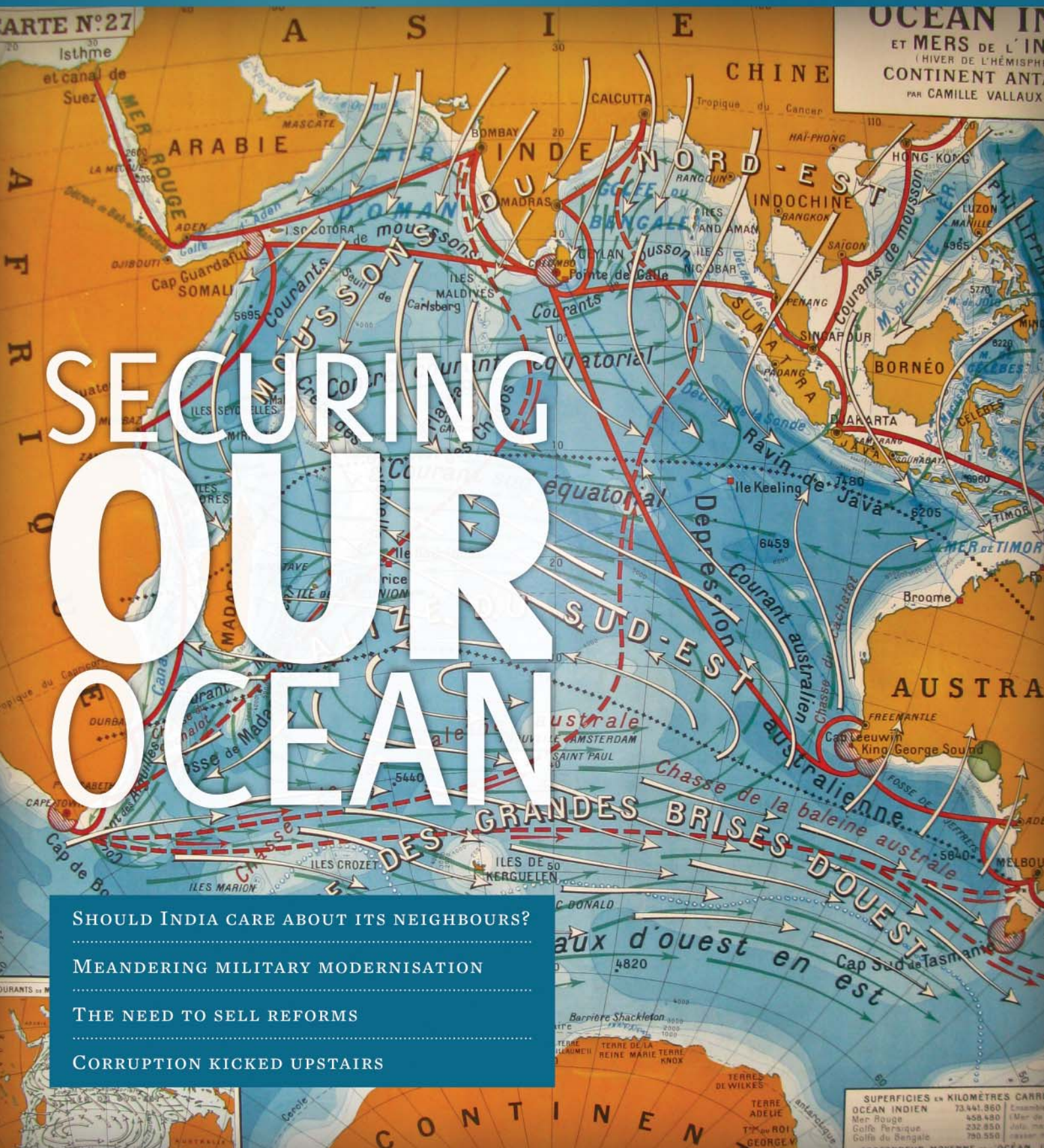
## SECURING OUR OCEAN

SHOULD INDIA CARE ABOUT ITS NEIGHBOURS?

MEANDERING MILITARY MODERNISATION

THE NEED TO SELL REFORMS

CORRUPTION KICKED UPSTAIRS



SUPERFICIES EN KILOMÈTRES CARRÉS	
Océan Indien	73,441,860
Mer Rouge	458,480
Golfe Persique	232,850
Golfe du Bengale	790,550



state system remain like Bangladesh years  
systems history international Gulf piracy  
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ransom people government certain  
new potential ideas military book due Delhi instance  
trade regime political public regional  
different regimes just security economy South  
New neighbours power financial paid model  
may growth world much  
companies controls export made high  
NPT women East countries membership crisis  
trafficking However States long Middle Aden  
must Kashmir led Somali private  
Indian United role issues  
argues neighbourhood insurance  
Pakistan set national even SECTION  
editorial parties

## Highlights

- 3 **Tackling the pirate menace**  
Minimising the risks to India's maritime interests  
*Shishir Upadhyaya*

- 31 **What ails military modernisation?**  
The meandering course of defence strategy  
*Sushant K Singh*

## Perspective

- 6 **Co-operating for power**  
The importance of engaging the neighbourhood  
*Sean McLain*
- 9 **The raja-mandala is global**  
India doesn't need to buy peace from its neighbours to sustain economic growth  
*Nitin Pai*
- 11 **Towards a new non-proliferation regime**  
How the India-US partnership is changing the game  
*Rajiv Nayan*

## Roundup

- 19 **The right's idea deficit**  
The contest of ideas in India is just beginning  
*Vivek H Dehejia*
- 21 **Kicked upstairs**  
Corruption at the level of basic public services might be declining  
*N Bhaskara Rao*
- 23 **Attention to trafficking**  
The need to go beyond rescuing victims  
*Vineeth Atreyesh*

## Books

- 28 **An imagined sea**  
The Indian Ocean is quite unlike the Mediterranean Sea  
*Siddharth Singh*

## Briefs

- 13 **Alif**  
*Rohan Joshi*
- 14 **Roundtable**
- 16 **Infographic**  
*Diby Haldar*
- 18 **Abstracts**  
*India Review*
- 25 **Pareto**  
*Amol Agrawal*
- 26 **In Parliament**  
Could the Parliament's financial oversight mechanisms have prevented the 2G scam?  
*M R Madhavan and Anirudh Burman*

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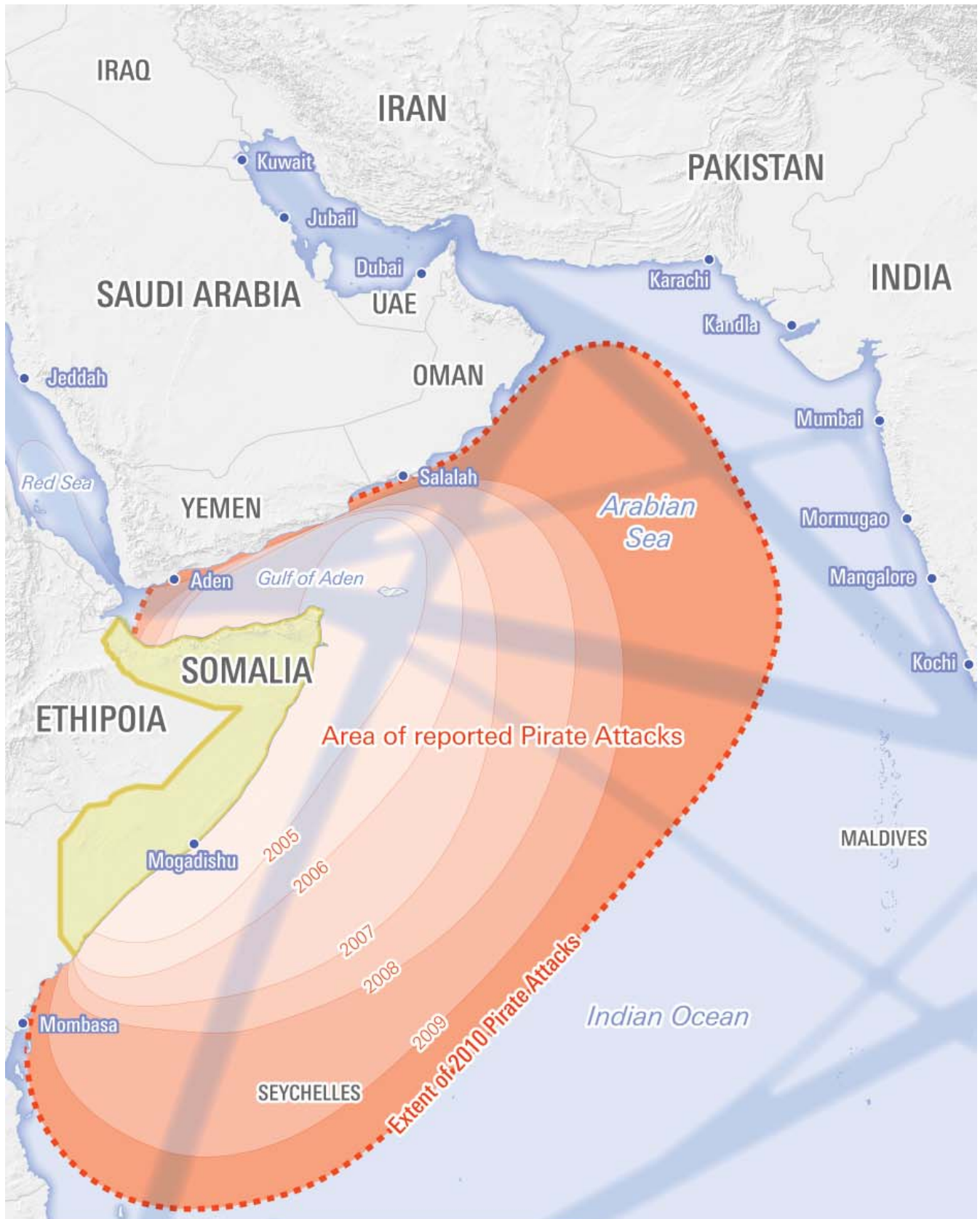
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# Somalian Piracy Threat Map (2005-2010)

# Tackling the pirate menace

Minimising the risks to India's  
maritime interests

foreign policy

**L**ong considered outdated, piracy has returned in the twenty-first century to haunt the Indian Ocean. In many ways, little has changed since the times of Henry Every and William Kidd, dreaded pirates who roamed the Indian Ocean in the seventeenth century.

Significant developments of the twenty-first century, such as globalisation, which has led to an increase in global seaborne trade coupled with the lesser manning of ships (due to greater automation) have set the stage for a worsening of the situation. Weakness and failure of states, and the international community's inability to address them heightens the potential for piracy. Furthermore, the emergence of the non-state terrorist groups gives rise to the possibility of a nexus evolving between terrorists and pirates. Piracy has thus emerged as an enduring problem of the modern era posing serious challenges to the navies of the world.

## Somalian waters

Piracy in the Gulf of Aden is the manifestation the greater Somalian problem—lack of an effective central government since the overthrow of the authoritarian regime of Mohamed Siad Barre in January 1991. This is the longest-running instance of a failed state in post-colonial history. The lack of security ashore has spilled into the maritime domain, where there are no credible indigenous maritime forces. Worse, there is also a lack of regional maritime capacity. As a result, the decade following the collapse of the

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Somali government saw extensive poaching activities by Asian and European fishing fleets in the Somali Exclusive Economic Zone (EEZ).

According to a little-known study by the United Nations, Somalia was losing \$300 million annually to poachers in its EEZ. This led to the emergence of self-styled armed protection groups such as the Somali National Volunteer Coast Guard and the Puntland Coast Guard—aimed at combating poaching and the dumping of toxic waste. These groups took it upon themselves to attack illegal poachers. They soon moved on to attacking private yachts transiting the Somali EEZ.

The Somali pirates made global headlines for the first time in November 2005, when they attempted to hijack the American cruise liner *MV Seabourn Spirit* around 75 nautical miles off the coast of Somalia. This unsuccessful attack triggered a wave of pirate attacks along the Somali coast. Somali pirates first made headlines in India in February 2006, when they hijacked *Bhakti Sagar*, a Porbandar-registered Indian dhow whilst on passage to Kisamyu. Twenty-five Indian crew members were held hostage until the owners paid a large undisclosed amount as ransom.

## Ransom money paid by insurance companies has evolved into a lucrative business model.

In 2006, there were 22 incidents of attacks on ships by Somali pirates. The numbers have since increased rapidly: more than doubling with each passing year; from 51 in 2007 to 111 in 2008 and 217 in 2009. While the number of attacks has not increased—thanks to ships adopting the Best Management Practices (BMP-3) promulgated by the UK Maritime Transportation Office—the range and audacity of attacks by Somali pirates has increased significantly in recent months. The first instance of a long range hijacking was on March 23rd, 2010, when a Turkish owned vessel, *MV Frigia*, a bulk carrier with a crew of 21 on board, was hijacked 1350 nautical miles from Mogadishu. More recently, on December 5th, 2010, six Somali pirates hijacked the Bangladeshi flagged *MV Jahan Moni* some 67 nautical miles off India's Lakshadweep islands.

In mid-2009, with the arrival of the Second Standing NATO Maritime Group 2 (SNMG2), the number of international warships on anti-piracy patrols in the Gulf of Aden reached a record high of about 20-25 ships on patrol. To this day, almost all the G-20 countries are represented in the region including the multi-national Combined Task Force 151 (CTF 151), European Union Naval Force, NATO and several other naval ships from India, China, Russia, Iran, Japan, South Korea on independent patrol. This has not deterred the Somali pirates—in 2009, the number of piracy attacks stood at 217; compared to 111 in 2008.

### Pirate economics

The rise in ransom demands has been accompanied by an increase in insurance premiums. The insurance surcharge for ships transiting the Gulf of Aden currently stands at approximately \$25 per container (or \$5 per tonne). Accordingly, the shipping companies have increased their freight charges to include the insurance surcharge and also additional risk pay for crew. The Shipping Corporation of India recently introduced a piracy risk surcharge of \$40 per container on all shipments thorough the Gulf of Aden. The increase is passed on to the exporter by the shipping agent and eventually, to the end consumers.

Over 22,000 ships pass through the Gulf of Aden every year. Of the 45 ships that were hijacked in 2010, around 20 ships have been released on payment of ransom so far. The ransom is paid by the insurance companies through their agents in cash and the sum is generally undisclosed. Considering an average of \$4 million per ship, the total ransom paid would be about \$80 million. At the current rates, insurance companies earn anything between \$500 million to \$1 billion in surcharges. Clearly, even a conservative estimate of the total insurance surcharge paid by the shipping companies is much greater than the total ransom paid by insurers. Thus, the systems of ransom has emerged as a lucrative business model with both insurance companies and the pirates making a neat sum at the expense of the end consumer.

### Challenges for India

The challenges piracy poses on India in the Indian Ocean Rim (IOR) are multi-faceted and complex. Nearly 95 percent of India's trade by volume and 77 percent by value is seaborne; 40 percent of world's seaborne trade transits through the Strait of Malacca and about 50



percent through the Gulf of Aden region. Furthermore India has the seventeenth largest merchant fleet in the world and provides over 7 percent of the manpower (approximately 100,000 seafarers) to the global shipping industry. Therefore, the primary challenge for India is to ensure security of its shipping fleet, seaborne trade and safety of Indian seafarers.

The Indian naval warships deployed in the Gulf of Aden region since October 2008 have safely escorted over a thousand ships and successfully thwarted several piracy attempts. That said, several Indian seafarers continue to be held hostage in Somalia. In March 2010, out of the 178 crew held hostage by Somali pirates, 95 were Indians. Three months later, six vessels (including Indian dhows and foreign ships) with 57 Indian crew members were being held hostage.

The evolution of the shipping industry into fewer and larger co-operative multinational enterprises has led to increasing propensity on part of ship-owners to shoulder the burden of safety and security of the ship and crew. Currently these risks are transferred to the insurance companies. As seen in the Gulf of Aden, ransom money being paid by the insurance companies has evolved a conflict economy that benefits pirates and insurance companies, with the costs being passed on to end consumers.

Such a trend is dangerous in the long term not least because it fails to address the interests of the crew. Consequently, there will be increasing pressure on the world's navies to provide security.

### **Policy recommendations**

The maritime environment in the IOR is unlikely to change in the near- to mid-term, nor will it be entirely possible to eradicate piracy from the IOR. Therefore the best policy options are those that can minimise the number of attacks on Indian seafarers and ships to a low and acceptable level. There are four main policy options for India to consider.

First, in the Gulf of Aden, India should work with like-minded Gulf States to evolve a regional co-operative mechanism. This could be achieved under the aegis of the Indian Ocean Naval Symposium (IONS) and seek to augment the surveillance efforts of the littoral navies. India should also actively assist the African states involved in the Djibouti Code of Conduct which seeks to establish a mechanism for information sharing, training and capacity building.

Second, India should also enhance the current

level of the anti-piracy patrols by deploying additional warships in the Gulf of Aden region and offer to assist Bangladeshi and Sri Lankan seafarers as well.

Third, India should seek to develop affordable on-board ship security devices such as the electrified fencing systems and long range acoustic devices. This could be done on a public-private partnership basis. Further, under the IONS framework, India can conduct workshops on best practices for on-board security and international exhibitions for ship security systems. A training centre for ship security could be also be established in India for

## **Scores of Indian seafarers continue to be held hostage in Somalia.**

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the benefit of all regional states.

Finally, India should press for the shipping industry to invest in on-board private security regulated by the International Maritime Organisation (IMO). It should also encourage Indian flagged ships to invest in private security. The high seas aren't any safer than lonely stretches of highways on land where highway robbers prowl. A certain minimum deterrence could go a long way in reducing the number of successful piracy attacks. However, at the international level, private security on-board ships would require formulation of a new set of regulations pertaining to the carriage of firearms on-board and rules of engagement for private security teams. A system for ensuring a certain minimum 'hardening' of ships could be considered on lines of the International Ship and Port Facility Security (ISPS) code of 2004, which mandated ships and ports to adopt certain security guidelines promulgated by the IMO.

It is possible to reduce the impact of piracy on India's seaborne trade and protect Indian seafarers. Doing so also offers us with an opportunity to promote India's strategic interests in the IOR. As important as it is to implement the right policy measures, New Delhi should ensure that they are well-articulated. Doing so will invite greater participation from various stakeholders, including the Indian shipping sector and the industry, and thus offset costs. It will clarify the misperceptions that might be extant in parts of India's maritime neighbourhood in combating the non-traditional threats in the IOR. ■

# Co-operating for power

The importance of engaging the neighbourhood



Photo: Bilal Mirza

SEAN MCLAIN

Co-operation is the watchword of world's military powers. Everything from the two wars in Iraq and Afghanistan, a global financial meltdown, and even Wikileaks have demonstrated over the past decade that co-operation is the remedy for the nasty side effects of globalisation—the importation of strategic risk. What happens in one country is often felt most acutely in another. In this context, India has a greater role to play in the future of global security, if it so chooses.

Indeed, India has had longer experience than most with this phenomenon. Despite this, however, it remains something of a bit player in global security. Given the fairly recent end of the Cold War and the military dominance of NATO powers, it is not surprising that developing nations such as India still see themselves as passengers in the world of global security.

The security of the world's oceans is guaranteed by the United States. Few fear another world war, thanks in large part to the Americans. The

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world today is a largely stable place. Even in a region as unstable as the Middle East, countries carry on relatively unmolested. In the case of the Arabian Peninsula, they prosper.

That is changing. The United States is reassessing its presence in the world, an effort that will continue regardless of whether Barack Obama is president. NATO is an increasingly poor tool for global security. Its sole expeditionary effort in Afghanistan has been a failure. The Western world's greatest armed forces are decreasing in size and power, and are being reconfigured to accommodate greater integration with allies. They are looking to their regional partners to pick up the slack.

Enter India and China. As the foremost rising powers in Asia, these two stand to gain the most by the retreat of the West. Regardless of how carefully or slowly the United States and its allies attempt to reconstitute the framework for regional security, gaps will emerge to the dismay of smaller nations. If they so desire, both India and China can move from being potential to actual superpowers. But superpowers are more than simply economic giants, they must also be willing to project their power.

China is slowly realising this. Its foreign policies, though immature, are evolving, and that has translated to a more forceful international political and military presence. Yet, what China has begun to learn, India seemingly has yet to understand.

In India, China's broadening role in the world is mostly seen as a threat on its borders. The country's close ties to Pakistan, in particular, are considered ominous, as they no doubt should be. However, China's ambitions extend well beyond the sub-continent. India's should as well.

They have, to some extent. India is looking East and its presumed accession to the UN Security Council is another step towards a broader role in world affairs. However, as India looks outwards, it has seemingly neglected its own neighbourhood.

This is partly due to the intractability of the problems. India's dispute with Pakistan, for example, is hardly the simmering conflict it once was, but the removal of imminent threat have not made the solutions any easier. There is too little pressure on both sides to make the difficult compromises for peace.

With India's focus on a UN seat and a greater say in economic affairs, it seems to be attempting to leapfrog its way into becoming a world power. The result has been lost opportunity.

The Gulf is perhaps the most striking example. The UAE alone is India's largest trade partner, that is before you count oil. This oil trade drives India's stellar economic growth. Millions of its citizens remit billions home to their families, at times keeping entire communities afloat. Yet, India seems somewhat perplexed that these massive economic ties have not translated into great influence.

New Delhi is partially to blame for this. Its largely benign foreign policy has not leveraged these ties into closer relations. Given India's role in shaping the philosophy of the non-aligned movement, it is hardly surprising that it is seen by Gulf states as more acquaintance than friend.

## **Superpowers are more than simply economic giants, they must also be willing to project their power.**

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India may not aspire to regional leadership or dominance, but it should at least aspire to having a stake in regional decision making. The bilateral traffic in political and military leadership is more pantomime than anything approaching true co-operation. The West, Russia and China all realise the vital importance of stability in the Gulf and wider Middle East as well as the potential for mutual prosperity. For them that means they must get their hands dirty; for India, it does not.

But India cannot be left behind. That is why the leaders of the United States, Britain, France, Russia and even China have all made their way recently to New Delhi. The attention paid by the United States is particularly instructive. The agreement that led to India's implicit membership in the nuclear powers club was the first step. It was an acknowledgement of India's importance, not simply its potential to help rescue America's flailing economy.

That seems lost on India. During President Obama's visit to India, he was cast as a threadbare, if loveable, leader begging for rupees and jobs. That was not the case. It was an outstretched hand and an invitation to take on some of the responsibilities that come with great power.

There is an undoubtedly cynical aspect to the

**Continued on Page 24**





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# The raja–mandala is global

foreign policy

India doesn't need to buy peace from its neighbours to sustain economic growth

**A**t a seminar earlier this year, a participant asked if the numerous crises in India's immediate neighbourhood will limit India's growth. This was some time after Prime Minister Manmohan Singh, at a press conference in May, asserted that "India would be unable to realise its full economic potential if it couldn't reduce tensions with its neighbours, especially Pakistan".

"Not at the moment, and not for the foreseeable future" I replied, "because the biggest bottlenecks to sustainable economic growth are domestic." Only after the most important reforms—creating a national common market, unshackling agriculture, liberalising labour laws and fixing the education system—run their course might the situation in the neighbourhood begin to matter.

In a recent paper on demographics and India's labour force, Tushar Poddar and Pragyan Deb of Goldman Sachs estimate that they see the Indian economy growing at an annual base rate of 8 percent. With the required reforms, the growth rate will increase to 9 percent. With wrong policies, there is a risk that the growth rate will fall to 6.5 percent. V Anantha Nageswaran, geoeconomics fellow at the Takshashila Institution notes that the country's "high savings rate and better capital efficiency will ensure [high growth rates] with little difficulty" (See "Inflation is the tip of the iceberg" in *Pragati*, August 2010). Economic policy analysts are mainly concerned with ensuring that the growth is of high quality.

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The neighbourhood doesn't register much in these assessments. In fact, Dr Singh himself concedes as much. "A number of inherent strengths in the country's economy" he said in July, "can contribute to rapid growth in the future and they should be harnessed to push up economic growth to double digits." In other words, Dr Singh's own economic prognosis contradicts his geopolitical rhetoric.

The prime minister's concession underlines the simple fact the most brazen of Pakistan's skulduggeries are shrugged off by the India economy. You don't need to have grand "composite dialogues" with Pakistan's flippant, impotent and tiresome politicians to sustain India's economic growth.

## It is for India's immediate neighbours to decide whether they want to benefit from its growth.

On the contrary, the question for India's immediate neighbours is whether or not they want to benefit from India's growth process. It's their decision. First Sri Lanka and now Bangladesh appear to have embarked on trajectories that make the most out of opportunities provided by both India and China. Pakistan—perhaps because its unaccountable elite are buttressed by liberal Western aid—is unconcerned with improving the lot of its own people. That is its own problem. It is in India's interests to improve trade with its crisis-ridden neighbour, but it won't hurt the Indian economy much if that doesn't happen.

Once the Indian economy exhausts all the potential from the necessary next wave of reforms the state of the immediate neighbourhood might begin to impose constraints on its further growth. That point is at least two decades away. And it is by no means certain that it'll

matter even then, for it is possible that the neighbourhood will matter even less.

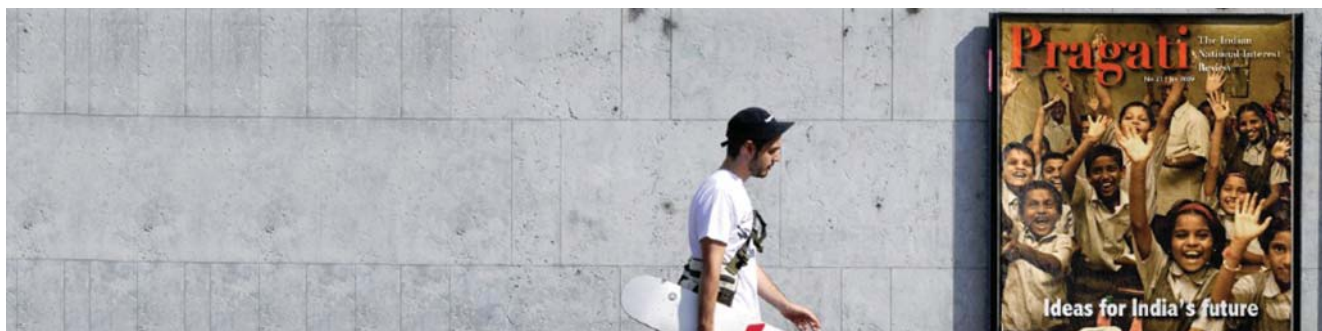
Also, as I have argued elsewhere, for too long New Delhi has convinced itself that India's neighbourhood comprises the countries along its land borders. Engaging the countries of the subcontinent is no doubt necessary, but it is both accurate and important for Indian civil society, businesses and government to understand that the lands across the seas are neighbours too.

Take for instance, Indonesia: merely 167 km away at the closest points between the two countries. According to the latest EIU forecast, the \$540-billion Indonesian economy is set to grow at 6 per cent over the next couple of years, its business environment is improving, it is more open to trade, and investment licences are easier to obtain. So, if you hear that India's neighbourhood is not conducive to its growth, it is only because we have denied neighbourhood to some neighbours.

Dhruva Jaishankar, a fellow editor of *Pragati*, points out that there are enough examples—he cites the examples of historical Europe, post-Meiji Japan and post-1979 China—to dispute the validity of the assertion that regional instability is a binding constraint on India's emergence as a global power.

The Indira Doctrine—which treated the subcontinent as India's exclusive sphere of influence—died sometime over the last twenty years. Whatever might be the reasons for its lapse, the objective reality today is that India is a pre-eminent power, but not the sole hegemon, in its immediate neighbourhood.

Should Indian foreign policy attempt to resuscitate the Indira Doctrine? Doing so would be limiting the vision to India's capabilities and interests to what obtained during Indira Gandhi's days, would be very challenging, of dubious strategic wisdom and perhaps even unnecessary. Why? Because India is playing on a much bigger ground today. Indeed, New Delhi needs a Global Raja-Mandala doctrine. So, for instance, if China seeks to gain influence in India's immediate neighbourhood, India can, and should do the same in China's neighbourhood. And elsewhere. ■



# Towards a new non-proliferation regime

How the India-US partnership is changing the game

geopolitics

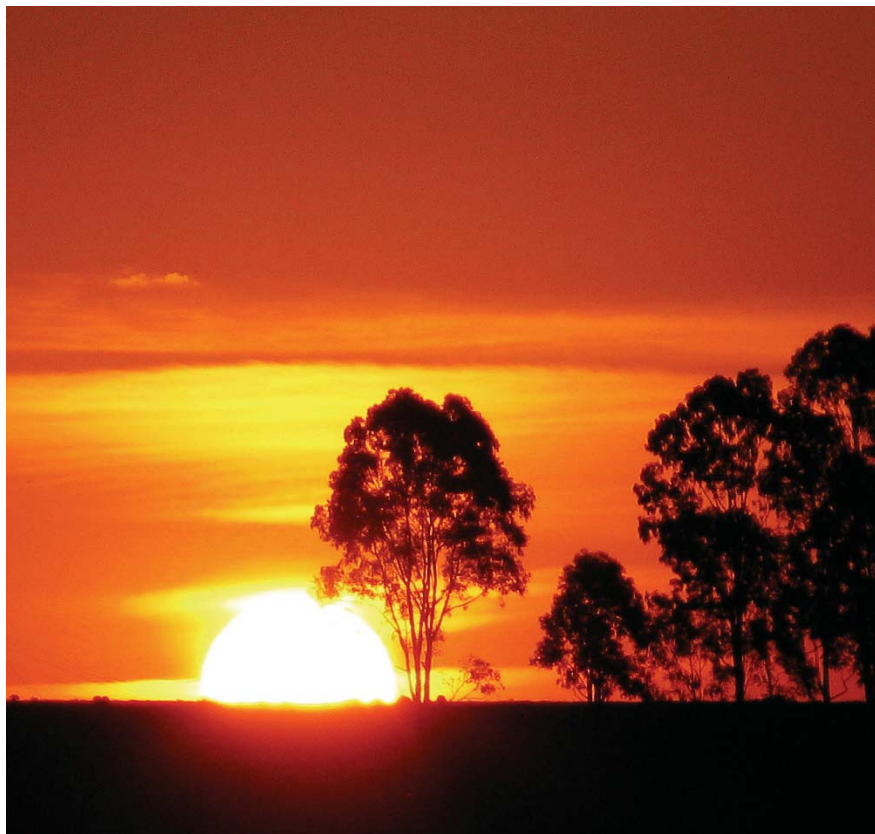


Photo: Ricardo Ferreira

**B**arack Obama visited India and signed a joint statement with the Indian Prime Minister Manmohan Singh. The joint statement mirrored the emerging multi-dimensional strategic partnership between the two countries. One of its dimensions is the gradual convergence on nonproliferation and nuclear matters.

The question is: Does the growing India-US relationship have capability to shape the existing non-proliferation regime? In other words, could it reshape or construct a new non-proliferation regime that satisfies both India and the rest of the world? Well, yes. Indeed, for the last half a decade, joint efforts by India and the United States have attempted to cast the non-proliferation regime in a new design.

India's responsible behaviour and non-proliferation record have

**RAJIV NAYAN**

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supported the endeavour in reorienting the regime. Though a predominant section of the international community does not seem prepared to amend the nuclear Non-Proliferation Treaty (NPT) at present, the world is reconciled to the reality of a nuclear India. This reconciliation is resulting in the incremental integration of the India with the non-proliferation regime. Arguably, it started with the lifting of sanctions on India in September 2001. However, the real breakthrough came in 2005.

The 2005 India-US joint statement led to the remodelling of the non-proliferation regime. New Delhi harmonised its export controls systems with the Nuclear Suppliers Group (NSG) and the Missile Technology Control Regime (MTCR), supported the idea of an Additional Protocol, strengthened safeguards arrangements for its nuclear facilities, committed to enrichment and reprocessing technology control and so forth. For India, the most defining moment was the 2008 India-specific exemptions in the guidelines of the NSG.

## **The biggest hurdle is the requirement that India be a signatory to the NPT.**

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The developments during the Mr Obama visit to India are once again promising to shape the non-proliferation regime notwithstanding the tension in the language for depicting the new non-proliferation partnership. The first and the most important is the development of a meaningful understanding on export controls. The joint statement affirmed the removal of the Indian organisations from the Entity List maintained in the Export Administration Regulations (EAR) of the US government and the support for the Indian membership of four multilateral export controls regimes. The joint statement also talked about ‘realignment of India in US export control regulations.’

The United States provides the benchmark against which other countries sculpt their non-proliferation policies in general and national export controls in particular. After the announcement for India-specific liberalisation of US national export controls, more leading suppliers have started discussing rearranging their national export controls. India may be realigned in other countries export controls systems as well, and in turn, New Delhi may adopt some of the export control practices which are part of the global non-proliferation regime.

India and the United States have taken noteworthy steps on multilateral export controls regimes. Washington endorsed India’s candidature for the membership of the four high-technology relevant regimes. These are the NSG, the MTCR, the Australia Group and the Wassenaar Arrangement. The NSG controls nuclear goods, the MTCR governs missile-related goods, the Australia Group covers chemical and biological agents and Wassenaar Arrangement controls dual-use goods not covered under the regimes, along with conventional weapons. Thus, together these regimes envelope vital high technology global commerce.

India’s membership, which has to come in phases and with the consent of other members, would certainly strengthen the non-proliferation regime, as it will enable India to both import and export high-technology products. The joint statement underlined India’s commitment to ‘abide by multilateral export control standards’. The statement also recorded that India would fully meet and adopt all the requirements needed for the membership of multilateral export controls regimes.

India is also to harmonise its export control system with the Australia Group and the Wassenaar Arrangement. The membership of India to these regimes and the harmonisation of guidelines and technology annexes of the two regimes with the Indian system have to proceed together.

The biggest hurdle in the way of India’s membership of these regimes is the requirement that it be a signatory to the NPT. The best option for India, of course, would be to sign the Nuclear Non-Proliferation Treaty as a Nuclear Weapon State. That would end the repeated row over the nature of India’s relationship with the regime. This, however, is unlikely to materialise in the near term.

However, some experts involved in multilateral export controls negotiations maintain that the adherence to the NPT does not mean the membership of the NPT. It is basically good standing with the treaty. India has already unilaterally announced that it will abide by Articles I, III and VI. These are the obligations of the nuclear weapon states of the NPT. There are other criteria for the membership of the regimes which India already fulfils. This presents the international community with an opportunity and a challenge. The move has been made by the India-US partnership; its culmination is to be undertaken by the key players in the multilateral export controls regimes. France, for instance, has already endorsed during President Nicolas Sarkozy’s recent trip to India— almost mirroring the US position.

Sustained co-operation between Indian and US policymakers is necessary to move forward from here. ■



## A taxing issue

Writing in *Jang* about Pakistan's economic crisis and the Reformed General Sales Tax (RGST), MALEEHA LODHI, a former Pakistani diplomat, argues that while there is an economic crisis in the country, the absence of a "tax culture"—where many withhold or altogether fail to pay their taxes—will continue to hurt the nation.

She argues that the true test of the government's commitment to the RGST regime will be apparent after the Muharram holidays. The RGST, according to Ms Lodhi, will be a testament to whether or not Pakistan can uphold its international financial commitments and will be assessed by donors as to whether the country is able to effectively raise internal resources to meet its loan commitments.

She brings to notice proposals put forward by a task force ten years ago, which concluded that Pakistan's financial crisis will continue if the tax-to-GDP ratio is not increased, that the ability to deliver public services will remain inefficient and high inflation will remain inevitable. She is critical of the government for not clearly articulating the goals of this reform and not demonstrating enough resolve to push for the reforms. This, Ms Lodhi points out, has resulted in skepticism and opposition from political and interest groups.

Other countries that instituted similar reforms, undertook campaigns to raise awareness and educate people of the objectives and need for reforms at least one year prior to their introduction; this however, was not done in Pakistan. Ms Lodhi writes that it is imperative both for the government and for Pakistan that these reforms go through; it will help the government shed the label of being indifferent and will help the country embark on a process to arrest its downward economic spiral.

## Non-STARTer

Oman's *al-Watan* discussed the impact of the US-Russia START treaty to the Middle

East in an editorial. The paper argues that despite both countries stating their desire to reduce their active nuclear weapons' stockpile by a third, their large current inventories will mean that this gesture will not be seen as a sign of relief to the rest of the world.

However, it argues that the momentum created by the START treaty should be used to push for a programme of comprehensive, verifiable universal disarmament, and the opening of current nuclear installations—especially those of Israel—to international inspectors. It is critical of the international community for maintaining silence on the Israel's ambiguous nuclear posture. On the NPT, it argues that the US should take the opportunity to convince those countries that have not signed the NPT (primarily Israel) to take steps to do so immediately and adhere to its requirements.

The editorial concludes the difference that the START treaty will make to the world will be insignificant and that the world is consumed by larger challenges, including the economic crisis, climate change and United States' "illegal occupation" of other countries.

## Sudan's referendum

Opinion on the upcoming referendum in Sudan on the separation of southern Sudan from the North, Qatar's *al-Raya* newspaper called for pragmatism and reminded readers that this was a constitutional commitment undertaken by all parties of the Comprehensive Peace Agreement.

It urged both the National Congress (in the north of the country) and the SPLM (in the south) to create the necessary conditions to ensure that the referendum can take place without incident. The paper criticised the contradictory statements made by government officials in the north on their position on the referendum and the SPLM. It urges both parties to avoid war-like rhetoric, saying that this will be a disservice not only to the people of Sudan, but also to the international community, which has spent considerable time brokering the peace deal.

## Towards an ittehad

In its editorial on November 1st, Pakistan's *Nawa-i-waqt* discusses statements made by Iran's Supreme Leader Ayatollah Ali Khamenei regarding Kashmir. Ayatollah Khamenei, in a public address, had urged Muslims around the world to support the "just cause of Kashmir" and had referred to India as a Zionist regime.

The editorial says that whenever Muslims the world over have been persecuted, it has been at the hands of the Jews, Hindus and Christians. The editorial argues that it is not in Pakistan's interest to engage India in dialogue on Kashmir, but to allow and support the "freedom movement" in the Valley. It calls the revelation by Shamshad Ahmed, a former Pakistani diplomat—that he was instructed not to raise the Kashmir issue at the United Nations by General Pervez Musharraf—"embarrassing." At the same time, the editorial is optimistic that the recent violence in the Valley has internationalised the issue and discredited India's assertion that the movement was supported from outside the country. It draws attention to statements on Kashmir made in the Norwegian parliament.

The editorial asks that if India, United States and Israel can "unite against Muslim countries," why Muslim countries cannot set aside their differences and unite to counter this aggression? It proposes that Iran, Turkey, Afghanistan and Pakistan form a bloc to address these challenges. The editorial believes that Afghanistan's president Hamid Karzai has lost his patience with the United States, and while Iran was already confronting the Americans, Turkey has always been a supporter of an Islamic bloc. As the Islamic world's only nuclear power, Pakistan must play a pivotal role in such a bloc, the editorial argues. The editorial argues that an Islamic bloc is essential in ensuring the "liberation" of Kashmir and Afghanistan.

Rohan Joshi is a Fellow for Cyber Security at the Takshashila Institution and blogs at *Filter Coffee* ([filtercoffee.nationalinterest.in](http://filtercoffee.nationalinterest.in))

The Takshashila Roundtable Conclave programme aims to create a shared understanding of India's national interests that can serve as the intellectual bases for public policy. The programme brings high-quality, cutting-edge discussions on strategic affairs, national security and governance to cities and towns across India, creating a platform for dynamic individuals to connect with each other and to the wider policy-making circles.

The day's programme had two parts. In the first segment, there were focussed discussion sessions on important emerging policy issues: from geopolitics to geoeconomics, from national security to social capital. There was a special "red dot" session that took up topics raised by the participants during the course of the day. The second segment moved beyond discussion: participants brainstormed, developed and committed to their own personal action plans on how they will engage in public affairs in the year ahead.

The inaugural address by Rohini Nilekani apart, the discussions were conducted under the Chatham House rule.

## Inaugural address

Mrs Nilekani noted that while the last two decades have been wonderful for India it is unclear if the next decade will be better. From corruption scandals, to violence to environmental problems people are feeling increasingly helpless. For all the diversity there is a certain commonality of problems across the country. She asked if *sarkar* (government) and *bazaar* (market) had suppressed *samaj* (society)? The proper role and the relationships among the three is

critical to India's future.

Introducing the discourse over social capital, Mrs Nilekani argued that India needs more "linking social capital" (which, according to Michael Woolcock, a social scientist at Harvard University, "reaches out to unlike people in dissimilar situations, such as those who are entirely outside of the community, thus enabling members to leverage a far wider range of resources than are available in the community." - Ed). She rounded off her remarks by calling for a 'domestic non-aligned movement' in our politics inspired by the idea of India laid out in the Constitution.

In the following discussion it was noted that the role of *sanskara* (culture) must be recognised while discussing the dynamics of *sarkar*, *bazaar* & *samaj*. Also, the participants felt that we are eroding social capital in the rush towards individual entitlements.

## The bases of policy

What might be the broad ideas that should inform and guide public policy?

The first leading discussant argued that India's growth cannot be sustained unless we have second generation of reforms. Unfortunately, the case for reform was never really made to the masses. At this time, the apparent popularity of gargantuan, wasteful spending programmes has caused even the presumably right-of-centre political parties to embrace them. This trend is unsustainable and threatens to undermine India's developmental goals. There is a need for right-of-centre political parties to have the conviction of liberal economic policies before they take them to the electorate.

The second discussant noted that the daily lives of a large number of Indian citizens are affected by something more mundane—

urban governance. Yet, India remains a highly centralised state, removing ordinary citizens from meaningful local participation and prodding accountable governance. Ironically, with well functioning cities China could claim a more robust urban democracy, if official responsiveness to citizens' local needs is a measure of democracy.

Enfeebled urban institutions sap citizens' zeal, realising the futility of engagement, and erodes social capital—fuel for cultural, economic and artistic growth of a city. Social capital, like its economic counterpart, remains stuffed under the proverbial mattress, to be eaten away by corrosive forces of frustration.

Bases of public policy in India should focus on radical decentralisation in governance while, importantly, purging the obese Union and State governments. Case in point, the very existence of Union Ministry of Food Processing is symptom and cause of debilitating dysentery in our body politic.

A giant and complex nation can ill afford to dismiss its mess as functioning anarchy. An inclusive and functioning future is possible only by purging India's top heavy systems and building its systems of taxation, governance, accountability and responsibility based on subsidiarity. Radical decentralisation is called for.

## Geopolitical environment

Following a comprehensive summary of the state of international politics, the leading discussant noted that despite the rise in prominence of non-state actors—like terrorists, banks and Wikileaks—the role of nation-states continues to be relevant. With the shifting of power to the East, India will have a more important geopolitical, but it is not necessary for us “to beg for a seat at the UN Security Council”. Also, foreign policy must move beyond defending our red lines into a more sophisticated strategic approach.

In the words of a Japanese diplomat, for the first time China is both strong and rich, which is likely to have profound implications for the rest of the world. India, like much of the world, lacks a strategic understanding of China and its structure. There is a great need to demystify China. It is an ancient state while India is a new state, although both are old civilisations

## Goeconomics and us

The Western economic crisis has opened up a unique opportunity for India. Against this backdrop, the session on goeconomics focused on the economic strategy that India needs to pursue in the post-crisis era and also whether sustained economic growth would help sort out internal security issues.

Despite the attractions of the Chinese model of mercantilist growth, India would do well to continue with its current strategy of growth led by strong domestic demand. The weak global economy will make export-led growth a risky proposition. Also, the Chinese model requires an undervalued

exchange rate, dangerously high levels of domestic credit growth and a suppression of domestic demand, especially consumer demand. India should continue to engage with the global economy without pursuing the Chinese mercantilist model. However, the one thing India would do well to emulate China is boosting labour-intensive manufacturing.

Higher economic growth should provide more economic opportunities to the poor and thus reduce some internal security risks. However, a distinction needs to be drawn between domestic pressure points such as Naxalism and the problems in Kashmir, where terrorism is fuelled from across the border.

## National security matters

The focus was Kashmir. In addition to the many facets of the Kashmir problem—geographical, historical, geopolitical, religious and security—it stressed the urgent need of police reforms in the state. While the state police force has evolved into one of the finest counterinsurgency forces in the country, its response to mob violence since 2008 points to its failure to adapt to the changed situation.

India will need to act decisively along several fronts: diplomatically, India has to gear itself up to challenge the prevailing narrative in Washington DC about Kashmir in the evolving AfPak scenario. While the final battle for Kashmir will be fought in the minds of the Indians, it is equally important to convince the Kashmiris that their future lies with India, and not anywhere else.

The sharp reduction in violence in the state, where since 2008 it came down to pre-1990 levels, has provided an opportunity for the Union and State governments to take

bold political steps in Jammu and Kashmir. While it might not be an opportune time to roll out such initiatives now, an opportunity is bound to arise again, which must not be squandered.

## Red Dot & personal action planning

A wide range of topics—from Wikileaks, to the Baloch insurgency, to whether public policy suffers from a shortfall of ideas or implementation—were taken up.

The Roundtable concluded with a participants writing out their own personal action plans, some of which were shared with the rest.



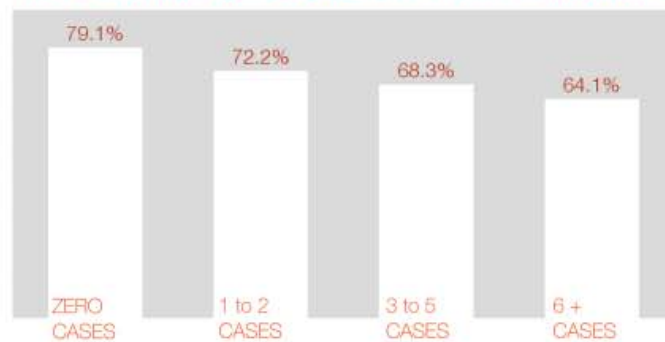
# By hook or by crooks

Having a criminal case registered does not disqualify a candidate from contesting parliamentary elections – a look at how this plays out for the Lok Sabha

DIBYO HALDAR

During the 2009 Parliamentary Elections, 129 elected MPs had one or more criminal cases registered against them, nearly a fourth of the 543 Lok Sabha seats

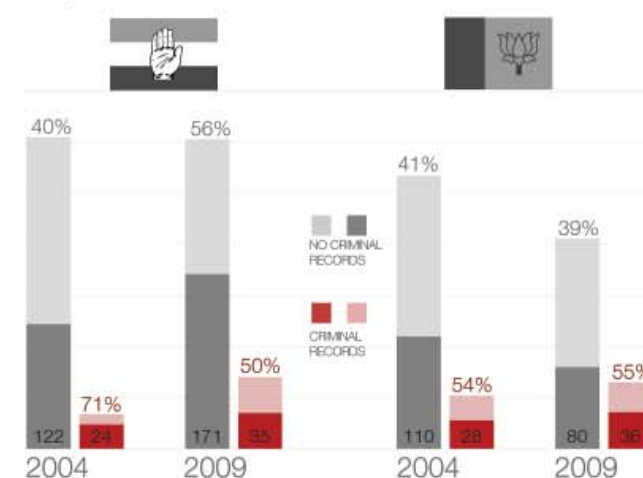
## MPs: CRIMINAL CASES & PARLIAMENTARY ATTENDANCE



The 15th Lok Sabha has seen lower average attendance from MPs with more criminal cases

The 'win percentage' for contenders with clean records (grey bars) increased significantly for the INC in the 2009 election, while their 'criminal' contenders (red/pink bars) were elected less often - the trend reversed for the BJP over this period

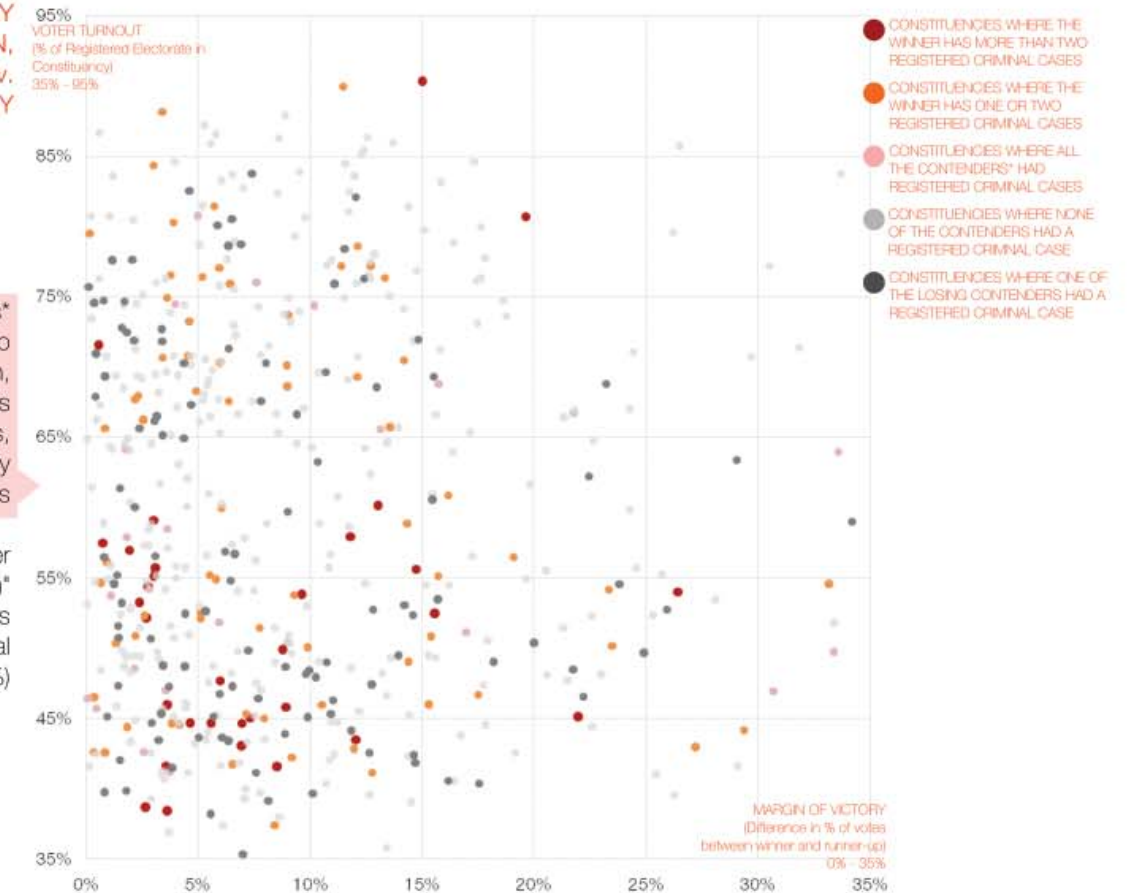
Both parties fielded more contenders with criminal records



## CONSTITUENCY VOTING PATTERN, VOTER TURNOUT v. MARGIN OF VICTORY

Most of the contenders\* who had more than two criminal cases and won, did so from constituencies with lower voter turnouts, as well as lower victory margins

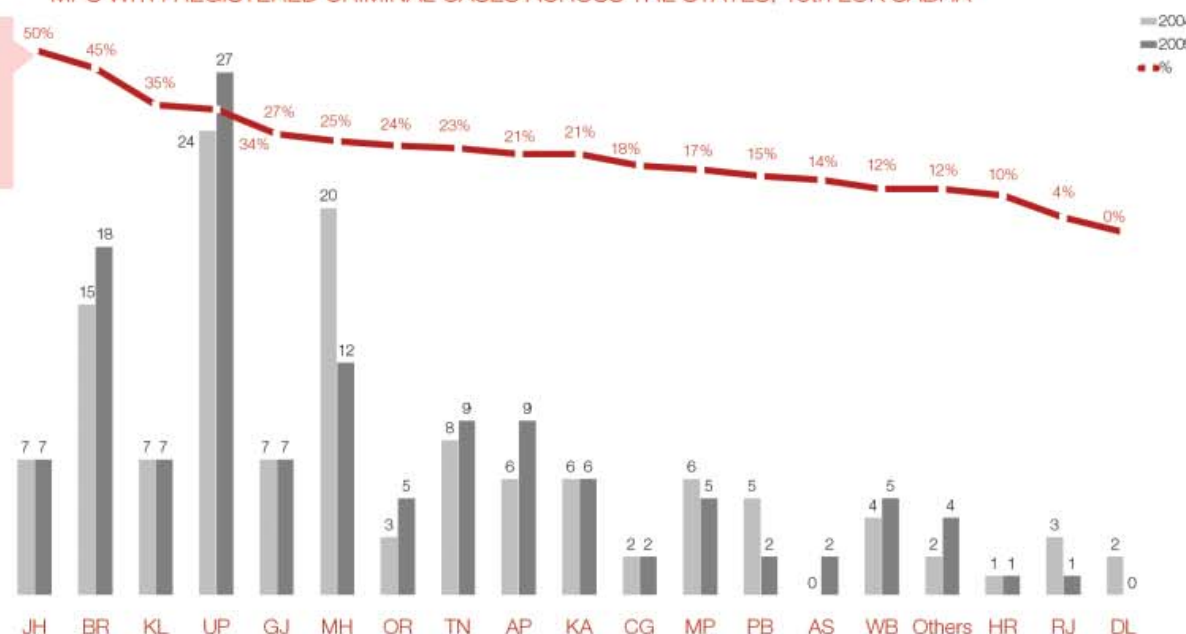
In fact, the average voter turnout in these "maroon" constituencies (52%) is lower than the national average (60%)



## MPS WITH REGISTERED CRIMINAL CASES ACROSS THE STATES, 15th LOK SABHA

Nearly half of the MPs from Bihar and Jharkhand have registered criminal cases,

The largest contributor is still Uttar Pradesh, while Maharashtra has seen a sudden decline



The charges against candidates span a wide range, from defamation and forgery to violence, murder and attempts to murder. One MP, K. Baitha, is a former Naxalite commander, and was once responsible for what might be described as insurgency. Here are some examples



**KAMESHWAR BAITHA**  
JMM, PALAMAU

Kameshwar Baitha, the JMM candidate from Palamau, won the election from inside Rohtas Jail, where he was being held for his some of his 46 registered cases, which include murder, culpable homicide, dacoity, attempts to murder, etc.



**TATHAGATA SATPATHY**  
BJD, DHENKANAL

Satpathy, editor of Oriya daily, *The Dharitri*, has 13 registered criminal cases against him - all 13 are under IPC 500 and IPC 501 (Defamation, and Printing of Defamatory Articles)



**RAMKISHUN**  
SP, CHANDALI

Ramkishun has to his name three counts of IPC 307 (Attempt to Murder) within his 11 registered crimes, as well as two charges of IPC 188 (Destruction of Public Property)



**P KARUNAKARAN**  
CPM, KASARGOD

Karunakaran won from Kasargod in both 2004 and 2009. Most of his 12 charges are of forgery and defamation



**BAL KUMAR PATEL**  
SP, MIRZAPUR

The MP from Mirzapur (where Phoolan Devi contested from) has been facing charges of murder, rioting, kidnapping, forgery, and multiple charges under the Arms act. Patel's brother, Shiv Kumar, an armed robber who operated under the alias of Dadua, was shot by the police in 2007

ACKNOWLEDGEMENTS: Most of the data was sourced from the website of the [Liberty Institute](http://www.empoweringindia.com), <http://www.empoweringindia.com>. Parliamentary attendance data is from [PRS Legislative Research](http://www.prsindia.org), <http://www.prsindia.org>. Information from official websites of the Indian Government have been used to fill in gaps and verify. In case you spot an error, do write in to [pragati.circulation@gmail.com](mailto:pragati.circulation@gmail.com).

## INDIA REVIEW

### **Reservations, Exclusion, and Conflict: Some Insights From Mandal and Mysore**

By Narendar Pani

Caste-based reservations (quotas) in government jobs and admissions to educational institutions in India have been associated with bouts of sometimes intense social conflict. The debate about this conflict has focused primarily on the case for and against reservations *per se*. Even when variations have been noticed in the degree of conflict generated by reservations across regions, the tendency has been to attribute the differences to local social conditions. Very little attention has been paid to the question of whether the type of reservations implemented in each region influences the nature and extent of conflict. This article attempts to answer this question by comparing the Mandal Commission Report with the experience of princely Mysore, and later Karnataka. Abstracting from these experiences, the article develops two concepts: reservations with exclusion and reservations without exclusion. It goes on to argue that reservations with exclusion create greater conflict.

### **The Cost of Shift Work on Employee Health and Performance: Can Organizations Afford to Ignore the Consequences?**

By Nupur Tustin

Research on outsourced operations has

primarily focused on working conditions in call centres. This study sought to focus attention on other outsourced operations to document employees' experience of shift work. In-depth interviews with both management and employees at two Indian organisations suggest that the negative consequences of shift work and working conditions are not merely individual problems, but they have adverse consequences for organisations as well.

In particular, the study suggests that high attrition rates in the outsourcing industry may be an indirect result of shift work, indicating that shifting operations from India to other off-shore locations may not resolve the issue. A model linking the effect of shift work on employees to attrition rates is proposed, and implications for future research and strategies organisations can implement to minimise the impact of shift work on employees' health and performance are discussed.

### **Review Essay Democracy and the Recasting of Caste in India**

By Juned Shaikh

The three books under review offer a fascinating account of how the processes of democracy and the practices of the modern Indian state have refashioned caste as an important feature of social stratification and self-definition. But the implication of the recasting of caste varies in the three accounts.

According to Zoya Hasan, caste is an important marker of socio-economic

backwardness and the policies of affirmative action that are based on this disadvantage should be extended to minorities. For Lucia Michelutti, electoral politics has refashioned caste into ethnic groups. The ethnicisation of caste is premised on the horizontal solidarities of fictive kin groups. For Anupama Rao, the politics of dalit emancipation from caste atrocities has paradoxically exposed dalits to further acts of violence. Together, these books offer a compelling account of the formation of political subjects in modern India.

These are abstracts of papers in India Review Volume 9 Issue 4 2010. Courtesy: Routledge/Taylor & Francis

# The right's idea deficit

The contest of ideas in India is just beginning

public policy



Photo: Hemanshu Kumar

**W**hy is there a left bias in India? At one level, the answer is simple enough. As the academic and former Mexican foreign minister Jorge Castañeda once put it, “The combination of inequality and democracy tends to cause a movement to the left everywhere.” In other words, the presence of an unequal distribution of income, combined with universal franchise, pushes politicians looking for votes toward populism and redistribution rather than growth and efficiency.

This can be seen as an example of the “median voter theorem,” a central construct in positive political theory, widely used in contemporary economics and political science modelling. In simple terms, it says that if certain theoretical assumptions are met, political parties will converge on the most preferred position of the voter who is at the median—not the mean—of the distribution in any given policy space. Thus, if the issue is tax policy, and the distribution is such that the median voter is to the left of the mean, platforms

VIVEK H DEHEJIA

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will converge on a tax system that redistributes from those above the mean to those below. From this vantage point, it should be no surprise that in India political parties tend to espouse a “pro-poor” position, the median voter clearly being poorer than the mean.

While appealing at a theoretical level, the median voter theorem is an incomplete explanation of the left bias that we see in India and other developing countries. For one thing, it assumes that both voters and politicians are fully rational and informed and, more crucially, that preferences and the policy positions that they induce can be ranked on a line, from left to right. With a multi-dimensional policy space and “noise” in the system—which ensures that at least some voters and politicians sometimes do not follow their rational incentives—the median voter theorem loses its potency and its predictive power.

There is likely a deeper explanation. It is useful to remind ourselves of the trinity of ‘I’s espoused by political theorists: ideas, interests, and institutions. In the case of India, the institution is our Westminster-style parliamentary democracy. The interests are those of various groups that get filtered into political party platforms and policy positions. The oft-forgotten father of them all is ideas, and that is where the true deficit in India lies.

In other words, we do not have a viable right alternative to the prevailing left orthodoxy in India. In substantial measure this is because we have not until now had a coherent strand of intellectual currents on the right, operating to create a counter-narrative to prevailing leftist ideologies based on populism and redistribution masquerading as “social policy” and “inclusive development.”

The contours of such intellectual currents are nascent. The elements of this counter-narrative must include an insistence on furthering the economic reform agenda, and making clear that this will be to the benefit of all, rich and poor, urban and rural. It should be made clear that such reforms are not simply a mechanism to further enrich the existing beneficiaries of incomplete reforms to date via cronyism and political patronage. The counter-narrative must also embrace the pluralism that is one of India’s greatest contributions to global civilisation, and eschew any divisiveness based on religion, caste or ethnicity.

It would be easy to succumb to despair or cynicism based on the depressing nature of our present reality. Such a reaction would be premature and defeatist. We need only look to recent intellectual history for examples

where the articulation of ideas can change the course of history. At the end of the Second World War, when ideas of central planning and the primacy of government as a means to manage the economy were ubiquitous, Friederich Hayek, the great libertarian philosopher and economist, assembled a group of like-minded thinkers and founded the Mont Pelerin Society, with the stated goal of countering ideas of collectivism with a renewed emphasis on individual liberty and market-based economics. Hayek made a point then that resonates strikingly with India today: although he decried the ideas of members of the left, he praised them for carrying conviction in those ideas, and in articulating them in a fashion comprehensible to the general populace. Thus, he suggested, they appropriated the moral high ground, a space that had been vacated by a right that had failed to make its case in such a compelling fashion.

## **Hayek praised the Left for the conviction of their ideas and their ability to communicate them to the masses.**

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In this, he was, ironically, echoing the famous utterance of his great intellectual rival, John Maynard Keynes. Keynes said that ideas are more powerful than any of us imagine. “The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood,” he wrote. “Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.” As it happened, both Keynes’ and Hayek’s remarks proved prescient, as the subsequent course of economic and political history in the United States and United Kingdom demonstrate.

Today, we are just at the beginning of this contest of ideas in India. The consequences will be momentous. Will we remain in thrall to the remnants of a defunct socialist ideology, and plod along with piecemeal and limited economic reforms without a sound intellectual rationale? Or will we boldly strike out on another path? Let the battle be joined. ■

# Kicked upstairs

Corruption at the level of basic public services might be declining

public policy

**A**midst all the scandals, leaks and allegations of corruption, the 2010 India Corruption Survey by Centre for Media Studies (CMS), an independent research agency that I head, offers a ray of hope. In recent years, there appears to be a decline in the extent of corruption involving citizens in their availing of basic public services.

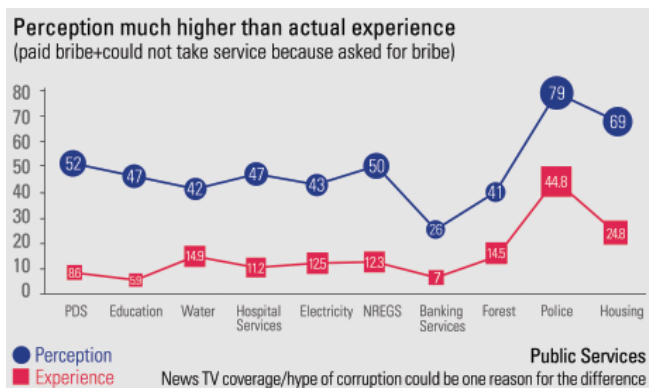
The decline is skewed: it is significant in the case of certain public services like telephones, passports, electricity and rail reservations, but only marginal or negligible in the case of other services. The 2006 report of field surveys that CMS has been conducting since 2000, gave the first indication of this shift and subsequent surveys confirmed the trend.

**N BHASKARA RAO**

**Figure 1 Percent of Citizens who feel there is corruption in Public Services**

Service	2005	2007	2010
School	45	28	35
Hospitals/Health	67	46	40
Electricity	67	44	Not covered
PDS	62	54	40
Police	88	78	Not covered
Water Supply	56	42	40

N Bhaskara Rao is chairman of the Centre for Media Studies (CMS), New Delhi.



There is an increasing feeling among the respondents that corruption among public services have declined (Figure 1). This is a significant finding at a time where more instances of corruption involving government and big business are commonly visible. The proportion of respondents who actually paid a bribe in the last year has also declined.

**Figure 2 Percent of Citizens who Paid Bribes**

Service	2005	2007	2010
School	18	3	16
Hospitals/Health	27	9	18
Electricity	20	10	Not covered
PDS	16	6	22
Police	80	48	Not covered
Water Supply	9	9	16

The decline in perception is a smaller change compared to the actual experience—possibly due to omnipresent media coverage about scandals. While the sector itself is being riddled with charges of corruption and exposure of scandals, the population has been enjoying more efficient and accessible services, especially in the case of telecommunications, electricity and irrigation. Some of this is in part due to better technology, and economic progress, the rest due to improved services.

The data suggest that corruption has been ‘kicked upstairs’. While media attention over the last few years has increased on corruption and related scams, their focus has been on higher end corruption involving large sums of money and the nexus between politicians, bureaucrats and business. While this certainly affects the citizen in the longer term, the data indicate that experience of corruption has relatively declined in the more quotidian aspects of life.

## Perception vs experience

The CMS survey methodology has been developed over a decade and looks at two dimensions, perception, and actual experience of corruption. Our new “PEE model” has identified the big gap between Perception and the actual Experience in the practice of corruption.

Our model also attempts to quantify this ‘perception’ of corruption. Based on both perception and experience scores, it attempts to estimate the actual monetary value of the corruption. We believe that the large sample size helps ensure that this data is close to reality and usable.

Most other indices, including the global index by Transparency International, focus on perception. This tends to be misleading due to the increased prevalence of more active and often influential mass media.

Our findings suggest that efforts are also needed to bring down perception, which will, in turn further contribute to reducing corruption. Also, a more detailed state wise analysis hints that unless the trend is consolidated and accelerated, it could be momentary and misleading.

## Bringing down the perception of corruption might reduce corruption.

What might have contributed to containing corruption in some of these public services between 2005 and 2010? The important factors are: the opening up of the services for private participation breaking monopolies; competition and increased concern for market and the users; computerisation and the use of new communication technologies; use of research in developing responsive systems, concern for redressal mechanisms and a dynamic news media.

If corruption in the process of citizen availing basic public services could come down over a five year span, why can we not make all out efforts to achieve zero corruption in these services? Can we aim at bringing down the corruption in these public services, say to less than 10 percent by 2015 and less than 5 percent in some States and some public services by then?

We can and we should. ■



# Attention to trafficking

The need to go beyond rescuing victims

public policy

While the illegal immigration of Bangladeshis into India over the last several decades has become a security and economic concern among Indians, the employment of women and children from Nepal and Bangladesh in brothels across the country has met with a largely muted response. Nearly 300,000 Bangladeshi children are estimated to be working in the brothels of India. The implementation of international laws and conventions—which the governments concerned have ratified—has been very poor. Many of these women and children are trafficked to the Middle East and Europe with legal passports. This showcases the failure of government agencies to prevent such gross violations of human rights.

Various NGOs working to prevent human trafficking in India and Bangladesh pride themselves not only in rescuing women and children from brothels but also in rescuing them from police stations. Women are forcibly returned to their home country without their consultation. The concept of reparation is foreign. This leads to women being trapped by the traffickers again and pushed into a few more years of prostitution.

The Bangla equivalent of the word trafficking is *pachar*. In spite of India having a long history in tackling prostitution and a trove of literature about its socio-economic aspects, the government's effort to ensure that the victims live a dignified life has always been abysmal. Because prostitution is illegal, the industry is driven underground, where it often becomes connected to organised crime syndicates, making the problem of trafficking that much

VINEETH ATREYESH

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more difficult to address. Victims of trafficking should receive accommodation, material assistance and medical treatment. They should also have access to compensation schemes.

First and foremost, there is a need for better information about the trafficking of women and children to India, without which it is difficult to systematically monitor trends and developments. Vague estimations that NGOs currently make do not adequately serve the purpose. The proposed Human Trafficking (Prevention and Protection) Act 2011 is the same old, tired story of tightening the law. Under the Act, trafficking and related crimes will be non-bailable and non-compoundable and will be tried in speedy trial tribunals in all districts and metropolitan cities.

## **Victims are not only rescued from brothels but also from police stations.**

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Continuous sharing of information between the police forces in the states of West Bengal and Assam with their Bangladeshi counterparts is essential in order to identify traffickers across the border. This is no mean task, not least due to the tensions between India's Border Security Force (BSF) and the Bangladesh Rifles (BDR). Seizing the recent positive momentum in bilateral relations, the home ministries must set up a channel for the exchange of information. Although there has been some improvement in the recent past, the lack of co-ordination between BSF and BDR has had a detrimental effect on controlling illegal immigration into India. Kirity Roy, secretary of Banglar Manabdhikar Suraksha Mancha (MASUM), an NGO, accuses the BSF and BDR of sexually abusing women in return of letting them

cross the border.

In 2007, the then minister for women and child welfare imposed a ban on the emigration of all low-skilled women below 30 years if they were seeking employment as domestic workers or house maids in a bid to stop the increasing cases of sexual exploitation of women. Boldness needs to be matched with greater policy sophistication. The Union government had claimed that it would introduce an emigration bill in the parliament to abolish sponsorship for visit visas, aimed at protecting the interests of Indians working in the Middle East. The bill was not tabled as there were disruptions on every working day of the current session. India has been actively engaged with the countries of the Middle East by signing labour pacts to combat the illegal recruitment of Indian workers. The intent, whilst commendable, will have to be backed by skillful diplomacy.

India has also become a destination for human trafficking not only from the neighbouring countries but also from European countries such as Ukraine, Georgia, Kazakhstan, Uzbekistan and Azerbaijan. They are mostly upscale sex-workers catering to the demand in urban markets like Delhi and Bombay. These women mostly come for a period of six months with a tourist visa and then move on to places like UAE and Bahrain. A thorough background check needs to be performed by Indian embassies before issuing tourist visas.

Anti-trafficking watchdog committees have to be established with the co-operation of NGOs and law enforcement agencies. Many NGOs have an exemplary record in rescuing the women and children. Their networks should be strengthened across India, Bangladesh and Nepal. Ultimately, though, to the extent that social attitudes towards prostitution remain hypocritical—where the sex industry is omnipresent but criminalised—the policy measures that can be put in place will have limited effectiveness. India's people and governments must realise that this hypocrisy comes at a terrible price. ■

### **Co-operating for power. Continued from Page 7**

world's interest in India. The world's powers need India to take on a role it is not yet prepared to do. Realistically, the potential for India to pick up the slack left by the West is limited. India cannot play the same role in the region as the United States or even Britain, because of the fear held by countries of importing conflict.

That is why it is vital for India to pay as much attention to its neighbourhood as it does to the limelight. It cannot fall victim to the flattery of great powers that it is something it has yet to become. Unless it is able to show leadership among its neighbours, it cannot hope to show leadership abroad. ■

## Indian Banks and the crisis

VIRAL ACHARYA, ANUKARAN AGARWAL and NIRUPAMA KULKARNI presented an insightful paper (State ownership and systemic risk: Evidence from the Indian financial sector during 2007-09) at the 7th NIPFP-DEA research program.

The paper rejects the hypothesis that public sector banks (PSB) are safer than the private sector counterparts. They find private sector banks which had higher risk before the crisis, saw their share prices fall more during the crisis. Even deposits contracted more for riskier banks. However in case of PSBs, some banks's share prices do not fall as much despite having higher risk. Both deposit and credit growth remains strong too. The authors show that PSB's fared better because of perceived government support. PSB's having higher risk also got more capital infusions from the government.

The authors argue that the lessons are not to go slow on private sector banking. Though, public sector and government's role help in crisis, it leads to crowding out of private sector in the long run. Also going by experiences of Fannie Mae/Freddie Mac in the United States, it is dangerous to keep giving explicit and implicit government support and guarantees. It leads to build up of complacency which leads to higher risks and trouble in future.

## Living in the Age of Leverage

Though leverage has becomes a bad word post 2007 crisis but DAVID ANDERSON of Brookings has a different perspective (The Age of Leverage).

Mr Anderson suggests that leverage has become a dominant theme in 21st century by becoming a tool used across spheres—social, political, international. New patterns have emerged where leverage is being used frequently to exert power by

individuals, organisations, and countries. It is an old theme but the times have generated an extraordinary range of leverage-makers and leverage situations and leverage successes and leverage failures. What has led to this rise in leverage? There are three factors—Information and Communications Technology Revolution, New Family Networks and State of Geopolitics.

He gives nine isolated examples showing how leverage is present in each. The examples are from simple family decisions to international security issues, for instance, a person looking for a job by using social media sites like Facebook and LinkedIn is using a form of leverage.

Given this, it is important not to be over-leveraged and equally important not to remain under-leveraged and not use resources optimally. He introduces a normative principle of leverage which helps balance these objectives.

## ECB scores in environment economics

The European Central Bank (ECB) may have scored poorly on its monetary policy but does well on its environment policy. ECB released its first report detailing the high priority it gives to environment management. ECB has developed an environment management system which forms the policies on the topic. It organises workshops, internal communications and guest lectures to create awareness and also observes the Green Day.

ECB measures its consumption of energy, water, paper and carbon dioxide. For instance, report says water usage has increased because more travelers and people are turning more hygienic due to fear of pandemics. Total carbon emissions in 2009 were 22 percent lower compared to 2008, with the greatest reduction coming from a switch to carbon-neutral hydropower. Paper usage was reduced by printing fewer publications and using more recycled paper.

Further, ECB plans to reduce carbon usage by 15 percent in 2011. It will move

to its own premises by 2014 and aims to make its new office 30 percent more energy efficient than current European norms. It plans to have a combination of avant-garde and time-tested facilities to achieve this objective.

## Central banks and competition watchdogs

JOHN VICKERS of Oxford University compares central banks and competition authorities in a new paper and notices that there are both similarities and differences between the two institutions. He compares central bank to a hedgehog taking one major action (interest rate decision) and competition policy to a fox taking many small actions. The independence of both is based on two interrelated rationales—comparative advantage and commitment.

He highlights six areas of difference—simplicity, exclusivity, repetition, accountability, information, and interested parties. For example, a central bank frames its policies based on public economic data and decision is unchallenged by vested interests. A competition authority, on the other hand, works in a complex legal system with confidential information and receives challenges from interested parties.

Before the 2008 economic crisis, both competition and monetary policy were based on the neoclassical thought of minimal government interference. Post-crisis, questions are being asked on whether this consensus is useful at all. Mr Vickers says on the contrary the crisis points to importance of independence of both these bodies. The political debate, however, may result in different conclusions. He hopes the eventual outcome is influenced by good economics but going by current state of debate, the hope is likely to remain just that.

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# In Parliament

Could the Parliament's financial oversight mechanisms have prevented the 2G scam?

**M R MADHAVAN &  
ANIRUDH BURMAN**

**T**he Winter Session of Parliament was almost entirely washed out as the government and the opposition fought over the mechanism to investigate the issues related to the allocation of radio spectrum for second-generation (2G) mobile telephony. The government insisted that the Public Accounts Committee (PAC) was the appropriate body to look into the issue, whereas the opposition parties demanded a joint parliamentary committee (JPC) be formed for the purpose.

Under the Westminster model, Parliament has the role and responsibility to oversee the functioning of the government. It also has the “power of the purse” as it sanctions and monitors government spending. Parliament has several mechanisms for financial oversight of the government. These include procedures for raising issues on the floor of the House, as well as detailed examination by committees such as standing committees and the PAC. Parliament can also set up ad hoc committees such as JPCs to examine or investigate any issue. Here we discuss these mechanisms and see how effective Parliament has been in fulfilling this role.

## **Proceedings on the floor of the House**

Members can raise issues in the question hour and zero hour. In addition, Parliament can discuss any issue or policy in detail with the concurrence of the Speaker of Lok Sabha or Chairman of Rajya Sabha (this is usually decided

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by the all-party Business Advisory Committee).

The annual Union Budget is the most important issue related to government finances. Scrutiny of the budget on the floor of the house takes place in two stages. The first involves a general discussion held after the presentation of the Budget by the Finance Minister. At this stage, the discussion is confined to the general examination of the Budget and policies of taxation expressed during the budget speech.

This is followed by a discussion on the Demand for Grants of different ministries. A certain number of days or hours are allocated for the discussion of all the demands. However, not all the demands are discussed within the allotted number of days. The remaining undiscussed demands are disposed of by the Speaker after the agreement of the House. This process is known as the 'guillotine'. Over the last five years, around 90 percent of all Demands for Grants of Ministries have been guillotined every year. This also implies that a large portion of the budgetary allocations requested in the Demands for Grants does not get discussed. In 2009-10 for example, 79 percent of the total amount requested in the Demands for Grants was not discussed on the floor of the House.

### **Departmentally Related Standing Committees**

There are 24 Departmentally Related Standing Committees covering all Ministries/ Departments of the Government of India. The Committees prepare reports on individual Demands for Grants submitted by various departments in which they make recommendations which may or may not be accepted by the concerned department. Over the last five years, approximately 50 percent of the recommendations made by Standing Committees were accepted by the government.

Standing Committees also look into other aspects of a department's functioning, such as policies formulated by it. The Committee on Information Technology had prepared a report on spectrum management in 2005. In this report, the Committee had stressed on a transparent system of spectrum allocation, and had requested the Department of Telecommunications to formulate the same. The Committee has, however, not examined the policy since then. This raises the issue of whether the Standing Committee has been an effective mechanism of oversight.

### **Public Accounts Committee**

The Public Accounts Committee examines audit reports submitted by the Comptroller and Auditor General (CAG). This Committee is chaired by a senior member

of the opposition (currently the BJP's Murli Manohar Joshi). In addition to the CAG reports, the PAC is authorised to look into whether the expenditure by the government has been as per the allocations authorised by Parliament, and whether the government has complied with the relevant rules in spending the money allocated to it. The PAC is therefore empowered to look into issues of financial irregularity regarding spectrum allocation, regardless of the topics covered in the CAG report.

## **The spectrum scam is an indicator of the Parliament's failure to scrutinise the government's functioning.**

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Between 2005 and 2010, the PAC prepared 54 reports and examined ministries that have cumulatively received around 80% of the budgetary allocations. Since it is not possible to examine every CAG audit finding in a formal manner, ministries have to submit Action Taken Notes to the PAC on all audit paragraphs. A 2009-10 report of the PAC, however, noted that there were 4,934 audit paragraphs still pending with various ministries. It is interesting to note that during the last five years, the number of different Ministries that were discussed varies significantly. For example, while the PAC has prepared 10 reports on the Ministry of Finance between 2005 and 2010, no reports were prepared on a number of Ministries, including the Ministry of Communications and Information Technology.

### **Joint Parliamentary Committee**

Parliament can constitute a JPC to examine or investigate any issue. It is set up for a specific object and duration. Joint committees are set up by a motion passed in one house and agreed to by the other. The details regarding membership and subjects are also decided by Parliament. Although a number of joint committees have been formed since independence, four investigated significant issues that have caused controversy: the Bofors contracts, the two securities scams (involving Harshad Mehta and Ketan Parekh respectively); and the incidence of pesticides in soft drinks.

**Continued on Page 30**

# An imagined sea

The Indian Ocean is quite unlike the Mediterranean Sea

SIDDHARTH SINGH

**T**he Mediterranean Sea has a privileged position in western history, from European antiquity down to the demise of the Ottoman Empire. Scholars of diverse persuasions—embracing Weberian (Max Weber himself in the *Agrarian Sociology of Ancient Empires*), Marxist (Perry Anderson in *Passages from Antiquity to Feudalism*) or more ecumenical approaches (French historian Fernand Braudel in *Memory and the Mediterranean*)—have focused on the geography of the Mediterranean in tracing historical events and narratives.

There is no comparable vision for the Indian Ocean and South Asia, with good reason. There have been studies on the Indian Ocean as a conductor of trade, its linking of communities in historical times, across Asia and the Middle East, if not Rome itself. Now in a bold work, *Monsoon: The Indian Ocean and the Future of American Power*, Robert Kaplan has tried to bring a Mediterranean unity to South Asian shores. He does not, of course, do so overtly: the dream of unity imposed by the Indian Ocean, however, clearly underpins his vision for this part of the world.

It remains, alas, a dreamy vision. South Asian realities are very different from the unity of the ancient Mediterranean and inherited in the modern times by that part of Europe. Take the subcontinent proper from the middle of the 20th century to the present: there would be few countries and peoples with shared cultures and legacies that are so remote from each other. In terms of people to people exchanges, Pakistanis and Indians face far more



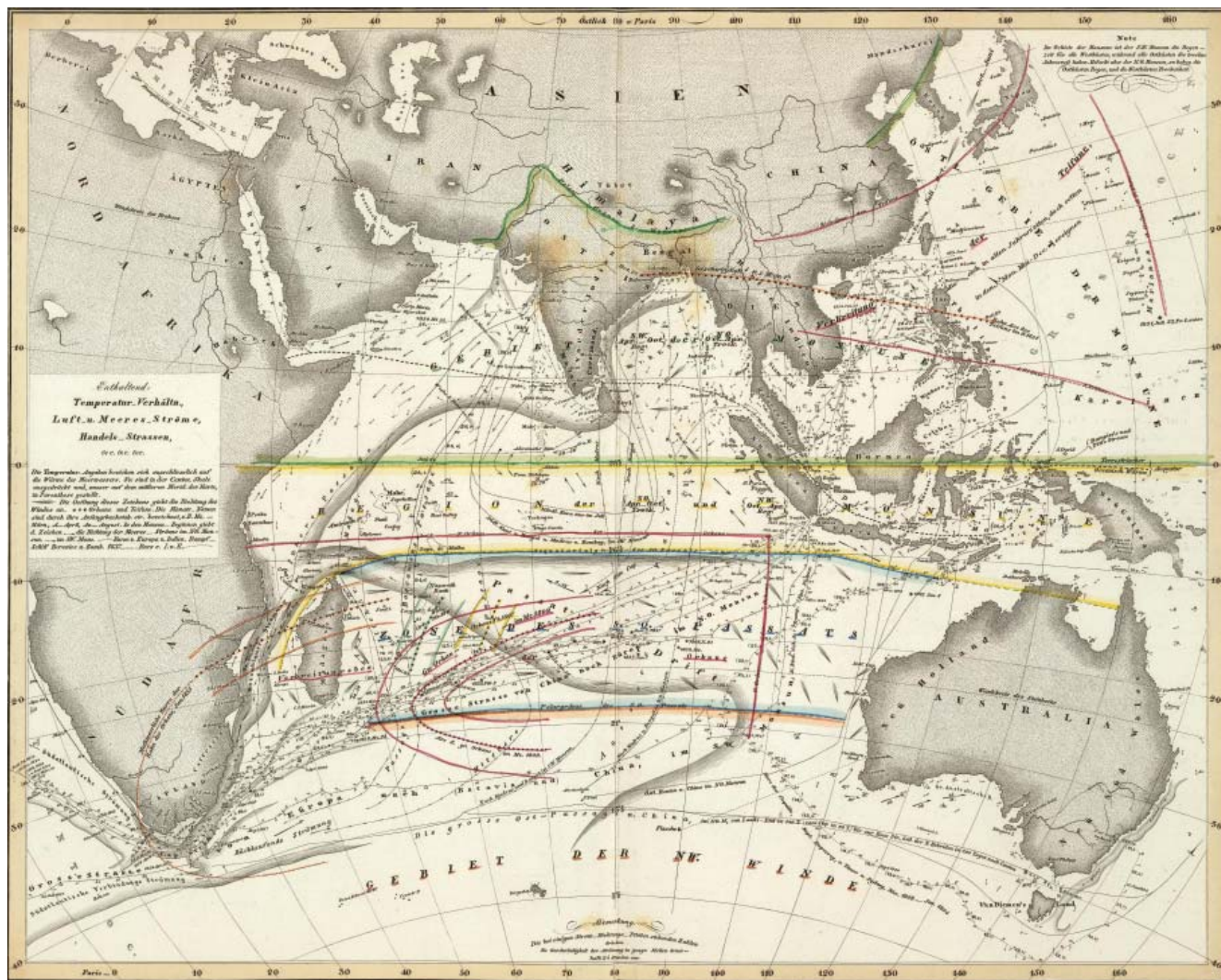


Photo: David Rumsey Cartography

formidable barriers than they do with, say, the United States. Indians in its Northeast have a deep fear of Bangladesh and its demographic nightmare. The Indian Ocean has little to do with these closed gates.

Religious fault-lines have had a big role to play in this divide. It does not require elaboration that subcontinental divides owe much to this. This, in turn, has had far-reaching geopolitical consequences. Today, it is much easier for Pakistan to imagine itself as a part of the greater Middle East than India. If anything this separation of universes, as it were, has accentuated as India has progressed and Pakistan rushes towards chaos. It has also had an unfortunate effect on other countries that have other, non-religious, affinities to India. Afghanistan and Bangladesh come to mind. They are, however, hostages to a history of painful, but

unavoidable religious divide.

This, however, does not deter Mr Kaplan. He writes that, "...Neither, for that matter, is it inevitable that the borders between Afghanistan and Pakistan, and between Pakistan and India, will continue to have the same meaning they have today...In fact, for negative reasons like cross-

border terrorist attacks as for positive ones like the construction of roads and pipelines, this vast region of the Mughal Empire may achieve a new kind of unity, ultimately bringing Sindh and Gujarat, as well as Central Asia and the Subcontinent, together once again, that is, South Asia to a

Greater Middle East." (page 123)

Roads and pipelines are not a point here. The issue is how these societies have diverged over a period of time and this is affecting their international outlooks and

**Monsoon: The Indian Ocean and the Future of American Power**  
by Robert Kaplan  
Random House  
2010, 384 pages

policy options. India, of all the countries in the region, has freed itself of socialist visions and is letting individuals and firms make choices that it denied them for long. This, to an extent, has led it to embrace free markets and the liberal democracies of the West as its natural partners. This, even as it maintains its historical and friendly ties with Russia. Pakistan and Bangladesh, either out of a desire to balance against India or gaining from playing India against China, have aligned with the latter. Their collectivist economic visions, with the government being the creator of economic order, gels well with the Chinese worldview. This and the political affinities between these nations are not mere coincidences.

## South Asian realities are very different from the unity of the ancient Mediterranean.

Mr Kaplan ignores these contemporary realities and their historical roots. For any work that has geopolitics at its core, a historically grounded understanding of how states in a particular region behave is necessary if one is not to go wrong. Unfortunately there are few places in the book where he shows this necessary insight.

A second, perhaps less important point, is about the construction of the book. For any work of travel writing—and *Monsoon* certainly has a fair bit travel in it—to transcend its travelesque character, if one may call it that, and transmute into a geopolitically grounded

work, is always a challenge. There are few, if any instances, of such transitions in a single work. Mr Kaplan has not managed to do this. Then, there is the minor matter of how chapters are organised and written. Often the appearance is that of disorganisation. One does not, for example, understand the role of a chapter on Gujarat (The Troubled Rise of Gujarat, chapter 6) sandwiched between chapters on Baluchistan and India (The View from Delhi, chapter 7). Gujarat, important as it may be from an economic point of view in India, has little role to play in the wider Indian Ocean setting. Those decisions are made in New Delhi.

There are other instances of this disorganisation. In chapter 9, there is a 10-page detour on the history of Robert Clive, the empire builder in India. It is de-linked from the discussion that precedes or follows it. Similarly in chapter 10 there are gratuitous references to “Indian strategic thinkers” being neo-Curzonian in outlook. He is, perhaps, not aware that Indian strategic thinkers (who are they?) are not in awe of Lord Curzon and in fact the last neo-Curzonian around was Prime Minister Jawaharlal Nehru (remember the forward policy with China?). Indian strategists, citizens at large and perhaps even some politicians may, unconsciously, have another British statesman as a model to emulate, exasperated as they are with the needless harrowing at the hands of their neighbours: Lord Palmerston.

South Asian history, so far, is solidly anchored in land and the sea is peripheral at best. This may change in the future but this is likely to have an Eastern stimulus, that of China trying to hem India locally. This has, and would have, little to do with unifying countries in the region. A Mediterranean vision, however pleasing its prospect, is not for South Asia. ■

### In Parliament. Continued from Page 27

One significant difference between the JPC and the PAC lies in the powers to summon Ministers. Financial Committees of Parliament are expressly barred from summoning Ministers. Standing Committees and JPCs may do so with the permission of the Speaker/ Chairman. Indeed, the four current and former finance ministers (Yashwant Sinha, Jaswant Singh, P Chidambaram and Manmohan Singh) testified before the JPC that investigated the Ketan Parekh scam.

### Conclusion

Parliament has several mechanisms that enable

oversight of government finances. Effective utilisation of these mechanisms has the potential to significantly reduce financial irregularities within the government. However, the spectrum scam is just one indicator of the failure of Parliament to scrutinise the functioning of government departments. While it is important to investigate financial irregularities and bring the guilty to book, it is equally important to increase the efficiency of existing mechanisms to prevent such scams. The Parliament must look at ways to strengthen the committee system to better monitor government functioning. ■



# What ails military modernisation?

The meandering course of defence strategy

book review



Photo: US Department of Defense

**A**rmoring without Aiming. The pithy title says it all. It was a book waiting to be written for many years now. India's military modernisation, or rather the lack of it, is a subject that is often invoked by commentators as a lament. But the subject has remained substantially unexplored. The biggest credit due to the authors, Stephen P Cohen and Sunil Dasgupta, is for being the first ones to attempt a comprehensive coverage of the subject. Academic disagreements apart, the work brings much-needed attention to the subject.

The major themes explored in the book include an overview of India's defence reform efforts, how modernisation of the armed forces has proceeded, India's nuclear capabilities and police modernisation, before arriving at the conclusions. The book ends with a chapter on India-US relations, which juts out as distinct from the rest of the book. It may be that chapter was added later for the American readership of the book.

**SUSHANT K SINGH**

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Few will dispute the authors' argument that "India's modernisation has lacked political direction and has suffered from weak prospective planning, individual service-centric doctrines, and a disconnect between strategic objectives and the pursuit of new technology." The criticism about the lack of planning is a fair one but the logic and events cited to buttress the claim are sometimes inaccurate. This flows from the book's underlying assumption that all these shortcomings arise from India's strategic restraint.

Western scholars like George Tanham and Stephen Rosen have made a case that India lacks a culture of strategic thinking. Arming without Aiming takes that argument many steps further to suggest that India has had a consistent policy of strategic restraint starting from 1948 in Kashmir up till Mumbai terror attacks in 2008. The authors write: "India's deeply ingrained tradition of strategic restraint most powerfully explains the puzzling inability of the Indian state to generate sufficient military power to alter its strategic position vis-à-vis Pakistan and China." While the lack of policy articulation may not always indicate an absence of policy, to search for a unifying assumption across various stages of India's development, under different leadership, and in different geo-political climates over a period of more than six decades convolutes the picture.

Is India all that strategically restrained, by design? Most of India's neighbours would take strong offence to such a depiction of India's policy in the region. Many times in the recent past, India's neighbours have often raised the bogey of India's big-brother attitude towards its smaller neighbours. India's military forays into East Pakistan (now Bangladesh), Sri Lanka and Maldives stand contrary to this assumption of strategic restraint. Those associated with planning and execution of at least two other military operations, in Siachen and Exercise Brasstacks, offer these moves as successful examples of the use of force to enable coercive diplomacy.

The idea of strategic restraint—if one were to accept for a moment that it exists—while a cause of many of India's ills has served India's interests well so far. The authors posit that India will have to "break out of" strategic restraint in order to "assume its place as a great power". But it is strategic restraint that informed India's aversion to foreign occupation—from Bangladesh in 1971 to Maldives in 1988—since the cost of extrication would have been ruinous as many other examples have shown.

The authors do acknowledge the benefits that have flowed from such restraint, especially the absence of global alarm over India's military rearmament. Contrary to what the book argues, there is nothing to suggest that a restrained power can never be a great power.

Perhaps the most important chapter of the book is the concluding one: Fighting Change. It covers a subject almost entirely untouched in the Indian public discourse. Most Indian commentators remain fixated with the need for higher expenditure on defence procurement and on blaming the politico-bureaucratic apathy that hampers the procurement system. The authors go beyond the usual paradigm of greater outlays leading to better outcomes by focusing on larger issues of military modernisation. However, the discussion—which analyses India almost entirely through the prism of Pakistan—does not take into account the China factor in India's strategic calculus, thereby missing out on a vector whose importance is set to grow.

In their final chapter, the authors chart the likely course of American-Indian interactions in the rearmament sphere. They posit that the two countries do not share a common strategic vision and have "differing versions of a just world order. Wide differences persist, notably in matters pertaining to the world economic order and global energy and environment..." The book argues that India's strategic incoherence or restraint means that the United States shouldn't get overexcited about the relationship, and should not over-invest in India. However, given this assessment, just as easily the argument can be made that it is all the more important for the United States to invest in a strategic partnership.

The most interesting part of the book however is its preface which delves into the history of why India has not been more focused in developing its military power. It is here that one comes to learn that British scientist P M S Blackett was hired as a defence adviser by Jawaharlal Nehru soon after independence, and that it was on his advice that Nehru agreed to keep the military spending below 2 percent of GDP.

It is necessary to read this book as an exploration of the major crisis in India's military system. It helps us acknowledge the malaise, even if we disagree with its diagnosis and prescriptions. India's strategic thinkers, policymakers and political leadership must re-diagnose the problem and debate the treatment so that India's strategic choices will not remain more limited than they need to. ■

**Arming Without Aiming:  
India's Military Modernization**  
by Stephen P Cohen &  
Sunil Dasgupta  
Brookings Institution Press  
2010, 223 pages





**Fresh. Bold. Indian.**

**Pragati**

The Indian  
National Interest  
Review

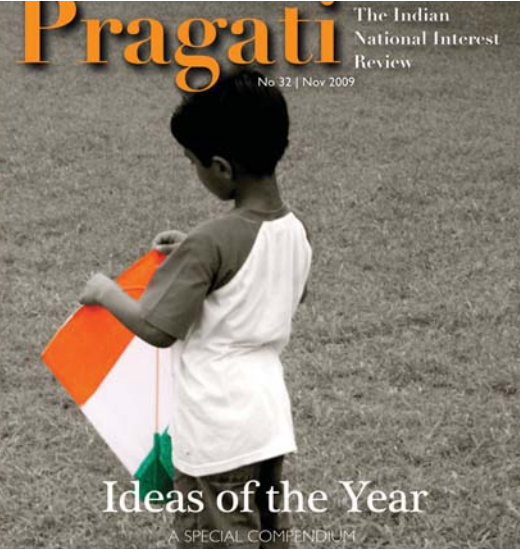
Photo: Darwin Bell





## Stepping up in Afghanistan

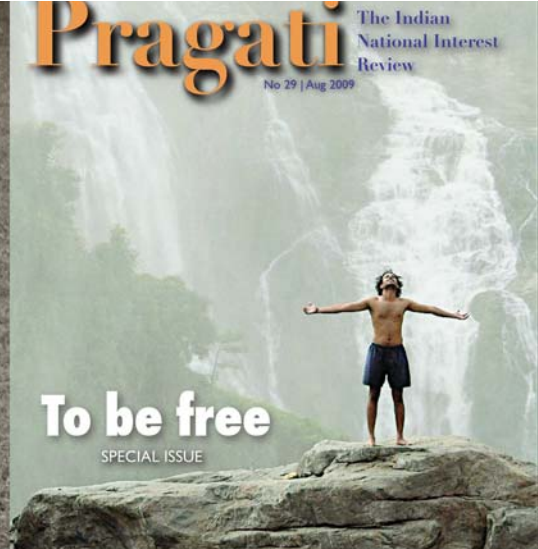
NOT UNPOPULAR IN CHINA  
OMAR ABDULLAH'S CHALLENGES  
TELANGANA LIBERATED  
GOVERNING POLITICAL PARTIES  
MEMBER IN PARLIAMENT?



## Ideas of the Year

A SPECIAL COMPENDIUM

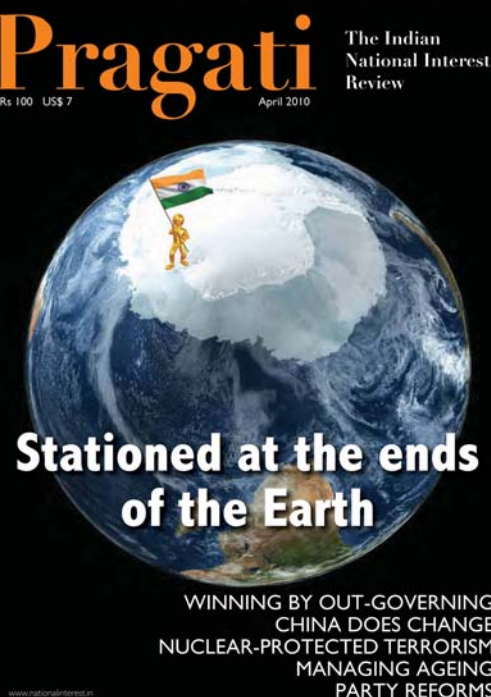
STRATEGIC TRANSFORMS  
DISCUSSING HUMAN CAPITALISM  
THE CASE FOR ECONOMIC FREEDOM  
KEEPING OUR REPUBLIC  
1400 YEARS AFTER THE MONK



## To be free

SPECIAL ISSUE

ON THE SEPARATION OF POWERS  
FROM GAY RIGHTS TO PROPERTY RIGHTS  
FUNDING THE HAJ  
LABOUR, CAPITAL AND THE LAW  
A RUB ON THE WRONG SIDE OF FAITH



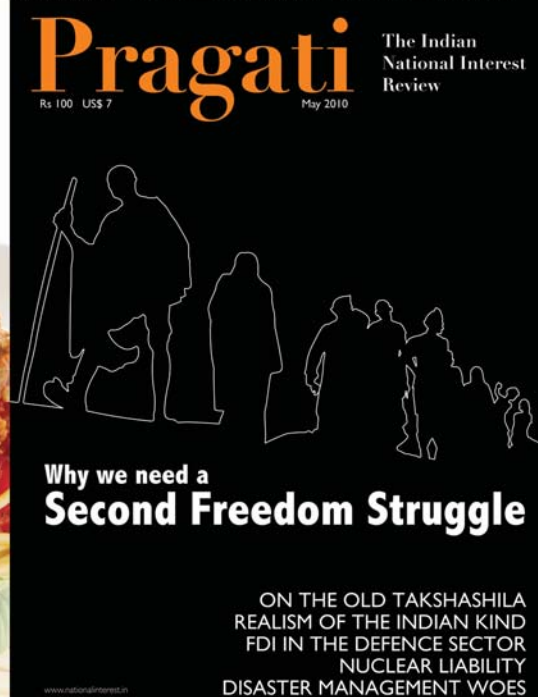
## Stationed at the ends of the Earth

WINNING BY OUT-GOVERNING  
CHINA DOES CHANGE  
NUCLEAR-PROTECTED TERRORISM  
MANAGING AGEING  
PARTY REFORMS



## Strategy in trade

INDIA-US DEFENCE TIES  
GOVERNING THE DIASPORA  
ON THE RIGHT TO EDUCATION  
PARLIAMENT MUST BE SUPREME  
THE INDIAN SIDE OF COIN



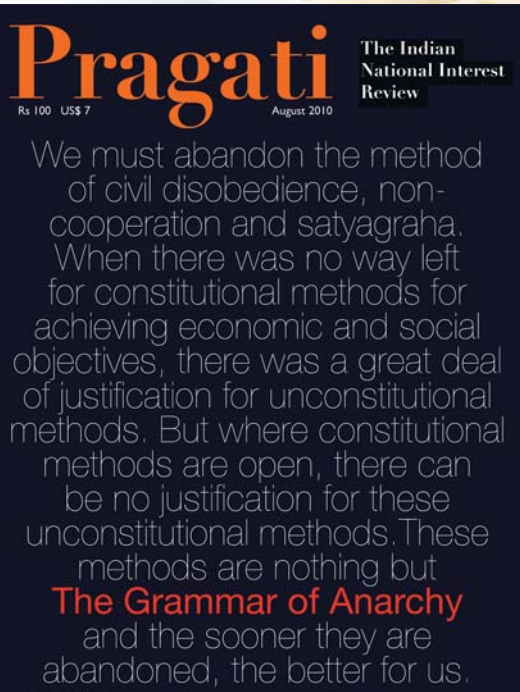
## Why we need a Second Freedom Struggle

ON THE OLD TAKSHASHILA  
REALISM OF THE INDIAN KIND  
FDI IN THE DEFENCE SECTOR  
NUCLEAR LIABILITY  
DISASTER MANAGEMENT WOES



## Should the Government make you happy?

ANOTHER SHARM-EL-SHEIKH  
TACKLING GENDER VIOLENCE  
JUGAAD IS NOT INNOVATION  
THE MYSTERIOUS ASIAN TIGERS  
NUCLEAR SAFETY MATTERS



## We must abandon the method of civil disobedience, non-cooperation and satyagraha. When there was no way left for constitutional methods for achieving economic and social objectives, there was a great deal of justification for unconstitutional methods. But where constitutional methods are open, there can be no justification for these unconstitutional methods. These methods are nothing but The Grammar of Anarchy and the sooner they are abandoned, the better for us.

### The Grammar of Anarchy

and the sooner they are abandoned, the better for us.



## Hot Turkey The return of the Ottoman?

NAGALAND: RECESSION OF SECESSION  
THE CYBER SECURITY THREAT  
LINKING WITH JAPANESE SCHOOLS  
BALLISTIC MISSILE TEST SEQUENCE  
HIGHER EDUCATION REFORM BILLS